

Case Study: Idaho's Bounty

An Online, Local Food

Cooperative



Local Food for Local People



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Case Study: Idaho's Bounty, An Online, Local Food Co-op

Introduction

A group of visionaries came together in the fall of 2006 in southern Idaho. The topic was connecting people to wholesome, local foods. The participants were local producers and consumers. They spoke passionately of their commitment to wholesome foods. This was about more than nutrition, they said. It was about food security and community values, the ability to access food that is produced organically, ethically and locally. They also spoke of how the traditional, worldwide systems for selling, transporting and buying foods did not support their values. Finally, the challenge was voiced: It was time to take action.

This was the beginning of Idaho's Bounty, an online food cooperative that, from the onset, electronically linked local producer members with consumer members through an internet ordering system instead of a physical store. But, for the founders of Idaho's Bounty, there had to be more than just electronically ordering foods. Their mission was to build their own community-driven, local food system. The cooperative, they decided, would be a partnership of producers and consumers and its operation would feature online ordering and local distribution directly from the producer members. This case study shares the experiences of Idaho's Bounty members as they established and operated the online food co-op for local products.

Research Methodology

This case study was prepared by the Northwest Cooperative Development Center (NWCDC) as a resource to rural communities who seek to support their local agricultural economy through cooperative development.

NWCDC gathered information at Idaho's Bounty through fifteen videotaped interviews of founders, board directors, producers/growers, staff, truck drivers, volunteers, and consultants.

NWCDC also reviewed other online food co-ops operating in rural regions across North America (see Appendix A). Many of these cooperatives used the Oklahoma Food Cooperative as their model. NWCDC also reviewed online food stores not organized as cooperatives but serving customers in the Northwest.

What is an Online Food Co-op?

In 2003, the Oklahoma Food Co-operative (OFC) launched a new concept in marketing local food. OFC developed an on-line ordering and distributing system operated by producers and consumers as co-owners of a cooperative. In this virtual co-op marketplace, local producer members display their products on the co-op's website and consumer members shop using an online shopping cart. On established delivery days, the products are picked up from the producers and transported to locations for sorting and pickup by members.

The online co-op can exist without a physical storefront but members still have opportunities to be part of a community by participating in potlucks and member events, getting to know the local farmers, and volunteering with the co-op.



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The Benefits of an Online Co-op

For local farmers and producers trying to reach a specific local audience, an online co-op enables them to directly market to the consumer members and share costs for advertising, distributing and other operations. Online ordering also enables them to harvest and supply in known amounts, avoiding waste from unsold product.

For local consumers seeking local products, the online co-op enables them to find desired products, shop at their convenience, and support community values that are important to them.

Together, the producer and consumer members accomplish a mission that is rewarding to both groups.



Idaho's Bounty online orders are filled by picking up the products directly from local producers, sorting the food into order bags and transporting the orders to Bountiful pickup sites or directly to consumers' locations.

Photos courtesy of Idaho's Bounty





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A Common Need and a Shared Vision

The founding members of Idaho's Bounty speak passionately about wholesome, local foods and the need to build a network to serve the community with guaranteed safe, secure, and flavorful foods. There is an emphasis upon buying local, not only to support local farmers and the local economy, but also to build a sense of community and shared values. They explain that buying locally creates a tight-knit interconnection between producers and consumers, making everyone more aware of their impacts whether they are producers or consumers. "The mainstream, industrial food system is built to be efficient," explains a producer. "But it is not built to put community values before economics." He continues, "I have no illusions that the big industrial system will go away. Indeed, I don't even think about it. I just want something else to participate in and depend upon. "

From the beginning, the vision was for producers and consumers to work cooperatively to link their efforts and their foods into a sustainable community. The vision was always more than just expanding the producers' markets. "We are establishing a community of shared values," a member explains. "We need the producers and the producers need us. We work together through the co-op."

Their vision was translated into this mission for Idaho's Bounty:

To develop and promote a local sustainable food system for the communities of Southern Idaho that ensures safe, consistent, fresh, ethically produced and delivered products direct from our producers.

Strong Support

"As a business, Idaho's Bounty chose a cooperative model as it requires involvement from the community and strengthens local networks. "

Idaho's Bounty website, www.idahosbounty.org

With a mission of developing a local sustainable food system, it made sense to the founders of Idaho's Bounty for producers and consumers in the local communities to join together as a cooperative. "Because we have producer members and consumer members, our members ARE the co-op," a founder explains. "Without them, we have nothing but a brand label, which has grown into something valuable, but the members are the ones who help us understand what's possible from the supply side to the demand side." Another founder explains, "It's a functioning economic partnership. Members provide the products and buy the products, some volunteer within the co-op, some are on the Board, some

Idaho's Bounty

Where	Southern Idaho
What	Local healthy foods online
Members	600 producers & consumers
Founded	Incorporated October 2007
Gross Sales	\$482,770 (2010)
Website	www.idahosbounty.org
Distribution	Weekly, (4) Hubs



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provide philanthropic support, others provide financial planning and grant writing, and everyone is part of the cooperative.”

Community supporters benefit Idaho's Bounty in ways other than membership. For example, a community donor designated a gift to the local food bank for organic food grown in Idaho. Idaho's Bounty was ready to fulfill that need and their local supply reached a new market.



*Idaho's Bounty staff and volunteers, December 2008
Photo courtesy of Idaho's Bounty*

Members act upon their commitment to the cooperative through their volunteer work. The volunteer Board of Directors includes both producer and consumer members. Presently seven board directors are volunteers who are elected by the membership at an annual meeting. The daily operations structure began with partially paid positions for the general manager and internet operations. Online programming support is contracted. The distribution drivers are contracted. Additional work is provided by member workers.

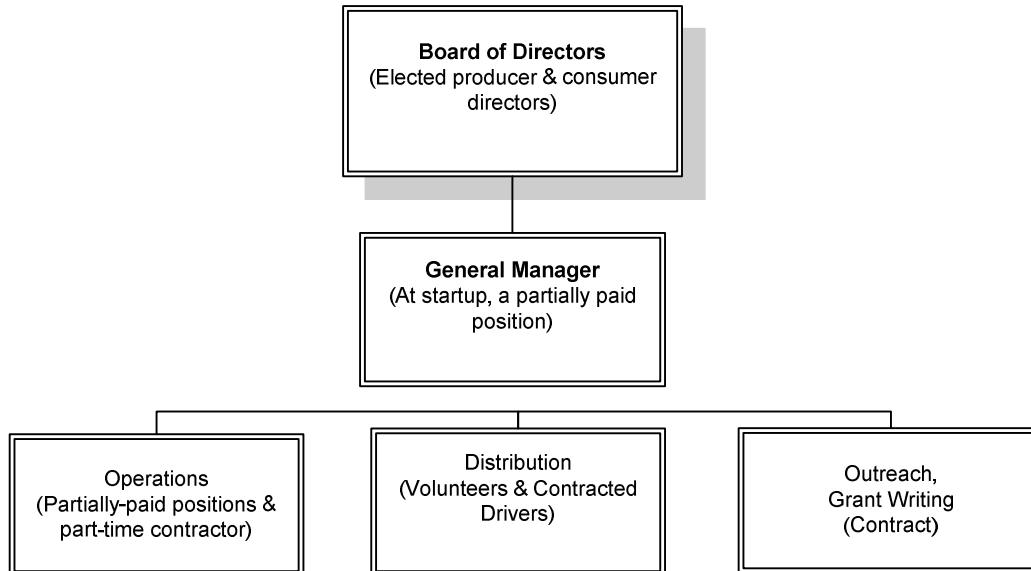
Rapid Startup

The challenge to establish a food cooperative was made in the fall of 2006. The producers began to come together to make their products available. The producers were recruited at meetings, on farms, in fields, and across kitchen tables. Meanwhile, two individuals attended a workshop at Oklahoma Food Cooperative and reviewed its software and operations. They brought back to Idaho an outline of how to establish an online cooperative. By the summer of 2007, Idaho's Bounty was selling and distributing local produce to a test group in Hagerman and the Wood River Valley. During that summer, fundraising and implementation of operations continued. In October 2007, Idaho's Bounty was incorporated and the online ordering was in place.



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Idaho's Bounty Startup Functions



The startup of Idaho's Bounty benefited from the experience and commitment of its founders. The producers have decades of experience with organic growing and marketing. Several had participated in farmers' markets and with Community Shares in Hailey, Idaho. This CSA is seen as a precursor to the Idaho's Bounty cooperative. "From our CSA experience," explained a producer, "we thought it would be better if people could actually shop for what they wanted (instead of receiving a standard box of seasonal produce). We decided to use an online system."

While some of the producers began contacting other producers and working on the supply network, the general manager and others applied their business skills to identify how to turn the online concept into an operating reality. They reviewed Oklahoma Food Co-op's online ordering system, and concluded that an online co-op was the fastest way to start moving food with the lowest overhead. Rather than establishing a store front, Idaho's Bounty decided to establish a website to serve as their "home", staying in touch with members electronically and providing online ordering of local products.

The decision was also made to minimize the costs of warehousing by delivering directly from the producers on a weekly basis. The producers bundled their products for transporting to two distribution sites. At the distribution sites, the orders were completed and transported to sites in several cities for the consumers to pick up. For an additional fee, orders were delivered to specific addresses. Consumer pickup locations were in Buhl, Boise, Hailey and Ketchum.



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A key factor in the rapid startup of the online ordering was the use of the open-source software originally developed by the Oklahoma Food Cooperative. The software code was available at no charge and enabled Idaho's Bounty to start taking online orders without the cost of initial software development. Idaho's Bounty found, however, that its business differed in some ways that the software did not fully support, and they sought to revise the software. For example, Idaho's Bounty needed software changes to better serve its restaurant and institutional purchasers. They also needed to improve the financial reporting. There were other changes that would improve the usefulness, efficiency and attractiveness of the online services but were too costly, too slow to achieve, or not possible to achieve within the existing software. Ultimately, to achieve its business goals, Idaho's Bounty believes that new software with greater capabilities will be needed and perhaps developing or acquiring it could be a joint effort with other cooperatives.

Deliveries are directly from producers to sites along city routes in southern Idaho's Magic Valley (Idaho's capital and largest metropolis of Boise), Treasure Valley (Hagerman, Buhl and Twin Falls) and Wood River Valley (Hailey, Ketchum, and Sun Valley).



Another key factor in the rapid startup was the commitment of member workers. A founding member expresses appreciation of the thirty or so members, stating: "We have been very fortunate with a very consistent group, really responsible and dedicated." Grant funding and generous donations also helped finance the startup.

Building a large membership base was also critical to the startup. One year after startup, nearly 650 people had signed up for at least a trial membership and 400 of those subsequently paid a full membership fee. In 2010, the paid membership increased to 674. Local publicity brought new members to Idaho's Bounty. Idaho's Bounty was featured in two Idaho public television shows about "Edible Idaho"; a television feature about the book, "Botany of Desire" by Michael Pollan; articles in the "Idaho Statesman"; and promotions at local work places.

Challenges and Opportunities

The rapid startup was an accomplishment but the work continues to build a sustainable operation. As the general manager said, "We quickly developed a large consumer base, quickly set up an ordering and distribution system, and quickly developed a producer base. But we feel our success is still to come, when we are moving much more of the food that is created sustainably in southern Idaho and

we economically cover all our operational and capital expenses." Other founding members agree: "We don't have the complete food system in place yet. And our operations need to be sustainable."

From the beginning, the goal was to run the co-op as a self-supporting business, primarily from sales revenues. The general manager explains, "Gross sales increased 73% between 2008 and 2009, reaching



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\$372,153. In 2010, gross sales increased again by 30% to \$482,770. Ideally, we need to reach \$1 million in sales to thrive."

To achieve increased sales, Idaho's Bounty is considering how to increase the number and amount of orders. In 2010, there were over 600 members, with 130 members ordering weekly. Ultimately, they are planning for 250 to 300 people to order weekly. They have asked the members what they need: "Consumer members are looking for convenience, broader diversity of supply (i.e., more types of products and more products available in every month), and competitive prices," explains the general manager. Idaho's Bounty found that its prices are competitive for organic, quality products but institutional purchasers and restaurants often sought even lower prices. But institutional purchasers and restaurants brought increased volume and greater total sales. The increase in gross sales in 2010 was largely attributable to institutional, restaurant and other wholesale purchases.

To help identify which products its consumer members needed, Idaho's Bounty conducted a "shopping bag survey". Members were asked to identify the top 10 to 15 items they considered as staples in their grocery bags, whether they bought them from Idaho's Bounty or another store front. The consumers also marked whether those items were organic or not. The results, provided in the "Grocery Staples" chart, showed that, of the items listed, most consumers considered such products as eggs, mixed greens, cheese, root vegetables, milk, onions, and yogurt as staples. Their preference for organic was, however, mixed. For example, most consumers said they purchased organic eggs and organic mixed greens as staples, but only half of them purchased organic cheese. This survey was one of several which gave Idaho's Bounty a greater understanding of what consumer members were purchasing in total and which items Idaho's Bounty could supply.

Idaho's Bounty is also looking at expanding its service areas. But expansion has its own considerations. There will be the logistics of transporting, sorting and delivering the orders in additional locations in the same-day timeframe they were using. There is also the consideration that consumers have other sources for food. For example, the Boise market is not untouched: it is served by a farmer's market, by farmers with CSAs, and by the Boise Food Cooperative, as well as retail food stores. But it is believed that there will be an economical niche for Idaho's Bounty as the only distributor who pulls all the sustainable growers together into one place as a single source, with unique information about the farmers and their practices. "The bigger issue to us," explains a Board member, "is identifying the real supply in southern Idaho, what's the volume, the diversity of product? What are the price parameters around that? Can we do it with what's available?"

What Idaho's Bounty Sells: 2009 Products as Percent of Sales	
Vegetables	34%
Meats	20%
Dairy & Eggs	12%
Fruits	8%
Poultry	5%
Baked Goods	3%
Prepared Foods (Non-Refrig.)	3%
Fresh Herbs	2%
Prepared Foods (Refrig.)	2%
Oats, Grains, Flours, Pasta	1%
Desserts	1%
Beans, Lentils, Peas	1%
Beverages	1%
Honey, Molasses	1%
Condiments, Sauces, Spices	1%
Seeds, Seed Starts	1%
Health & Beauty	1%
Other	3%



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Working toward this growth will take the dedicated attention of a full-time manager, the Board believes, and they hired a full-time store manager in late 2010.

The 2011-2013 Business Plan lays out targets for sales growth and identifies tasks to achieve the growth.

For 2011, the main actions will include:

- Increase consumer membership and ordering by changing the membership fee from \$75 for a lifetime membership to a \$10 annual fee, increasing marketing about Idaho's Bounty, increasing the hours available for pick up of orders, and focusing on food education, such as seasonal cooking and eating practices.
- Expand restaurant accounts by easing the ordering process, exploring "forward contracting", and increasing use of staple goods provided by Idaho's Bounty.
- Work with producers to distribute more of their supply through Idaho's Bounty to other established store fronts. Work to establish Idaho's Bounty as the delivery service for all locally produced goods to these stores.
- Seek beginning accounts with schools and hospitals.
- Work with members in the Treasure Valley to establish a certification program and "brand our producers' products".

Supplemental Funding

Idaho's Bounty staff acknowledged that sales revenue did not cover expenses in the first three years of operation. In the "2011 Field Report", it is explained that "We continue to operate without debt, but are dependent upon the support of state and federal grants and capital investment to cover our operating deficit, along with our consistently growing sales revenue." The deficit (i.e., net sales minus expenses) was (\$98,601) in 2009 and (\$28,505) in 2010; donations and member equity covered the deficits of both years. The 2011-2013 business plan calls for increased sales to reduce the deficit further each year until breakeven is achieved. Until breakeven, Idaho's Bounty will continue to seek donations, grants, and member contributions.

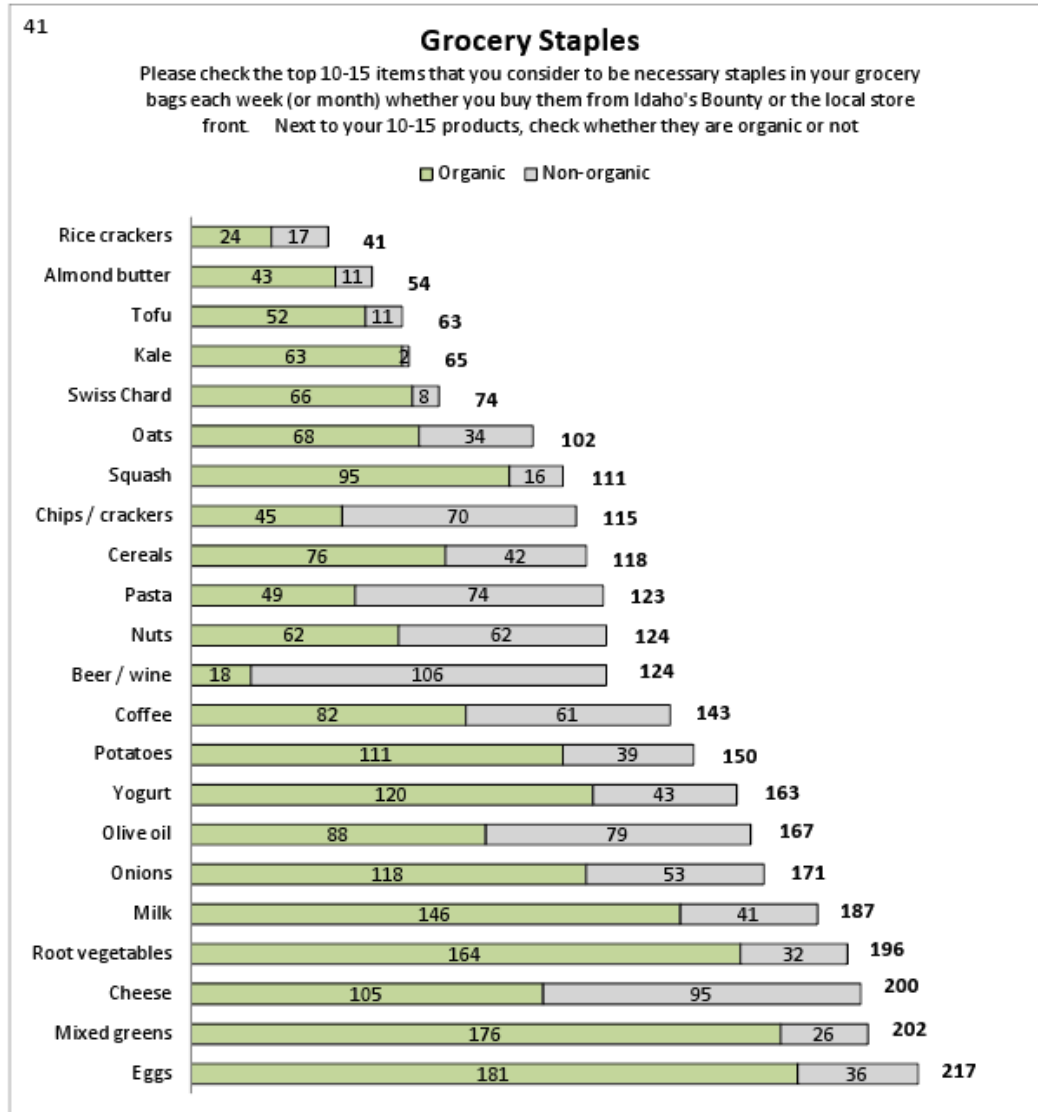
Inspired by the Vision

Idaho's Bounty members speak of the cooperative as more than a business; they work to ensure the integrity of local food by growing a new system of food routes. It is reasonable to expect it to take some time, they believe. It is all about local food for local people.



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Results of Idaho's Bounty "Shopping Bag Survey"



A total of 240 people responded to the survey. An average of 12.5 responses per person was recorded.

The fill in the blank responses included:

Fruit (mostly bananas, apples, oranges)	Any type of meat
Bagels / bread / tortillas	Fish
Peanut butter	Vinegars
Butter	Oils
Soy milk	Avocados
Rice	Juice
Dog food	Other types of greens
Lunch meats	Flours



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Appendix A: Research Methodology

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NWCDC also reviewed other online food co-ops operating in rural regions across North America (see Illustration 1). Many of these cooperatives used the Oklahoma Food Cooperative as their online model. NWCDC also reviewed online food stores not organized as cooperatives but serving online customers in the Northwest.

Illustration 1: Online Food Co-ops Included in Research

